NORTH DAKOTA PETROLEUM COUNCIL
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Senate Bill 2320

Testimony of Brady Pelton

Senate Finance and Taxation Committee

January 29, 2025

Chairman Weber and members of the Committee, my name is Brady Pelton, vice president of the North Dakota Petroleum Council ("NDPC"). The North Dakota Petroleum Council represents more than 550 companies involved in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline development, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota, South Dakota, and the Rocky Mountain region. I appear before you today in opposition to Senate Bill 2320.

North Dakota has long been a national leader in energy innovation, with policymakers historically recognizing the importance of maintaining a stable and attractive investment climate. As early as 1991, previous legislatures had the foresight to create a ten-year property tax exemption for carbon dioxide pipelines, understanding that attracting capital investment into critical pipeline infrastructure would ensure long-term energy production, job creation, and economic growth.

The bill before you removes a significant incentive to oil and gas developers by eliminating the property tax exemption for interstate carbon dioxide pipelines and necessary associated equipment used for permanent sequestration or use in enhanced oil recovery ("EOR") of oil and gas.

The recently completed North Dakota CO_2-EOR Financial Analysis, prepared by the Office of the State Tax Commissioner, underscores the immense economic potential of enhanced oil recovery using carbon dioxide. At a time when investment in CO_2 EOR is accelerating and the economic benefits are becoming even more apparent, eliminating this exemption would send a chilling message to investors that North Dakota is retreating from its long-standing pro-business, pro-energy stance.

The study confirms that enhanced oil recovery is a critical tool in maintaining and increasing North Dakota's oil production. It creates a circular economic model, capturing CO_2 from industrial sources and using it to extend the productive life of North Dakota's oil fields. The key economic benefits outlined in the study are billions of dollars in additional oil tax revenue, long-term stability of oil production in the state, and ensuring that North Dakota remains at the forefront of responsible energy production, while also creating synergies between the oil industry and other energy sectors, such as coal and biofuels.

Eliminating the ten-year property tax exemption for interstate CO_2 pipelines would make these projects less economically viable by increasing capital costs and adding financial uncertainty. North Dakota should be attracting investment in CO_2 EOR, not discouraging it.

Simply put, the economic benefits of CO_2-EOR are too great to ignore. Removing an incentive that improves project feasibility will stifle investment, hinder oil recovery, and weaken North Dakota's energy future. Instead of eliminating this exemption, the state should be doing everything possible to attract capital investment and maximize the economic potential of CO_2 EOR.

North Dakota's previous legislatures recognized the long-term economic and energy security benefits of CO_2 pipeline development, using this exemption to attract investment and foster innovation. Repealing it now, when improving oil recovery is more important than ever, risks deterring future investment and undermining North Dakota's leadership in CCUS and enhanced oil recovery.

For these reasons, NDPC strongly opposes this bill, and we urge a **Do Not Pass recommendation** for Senate Bill 2320.

Thank you, and I would be happy to answer any questions.